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August 31, 2011

RECORDATION NO. 29878 FILED

Surface Transportation Board  
395 L Street, S W  
Washington, D C 20423  
Attn: Equipment recordings

AUG 31 '11 -5 0 0 PM

SURFACE TRANSPORTATION BOARD

To Whom It May Concern

I am enclosing for recordation pursuant to the provisions of 49 U.S.C. 11301 a Memorandum of Security Agreement dated August 31, 2011, a primary document as defined in the Board's Rules for Recordation of Documents

The names and addresses of the parties to the enclosed document are

Borrowers  
Permian Basin Railways, Inc  
Central Car Repair, LLC  
San Luis & Rio Grande Railroad, Inc  
High Iron Travel Company  
West Texas & Lubbock Railroad Company, Inc  
Isla Largo, LLC  
Iowa Pacific Holdings, LLC  
Chicago Terminal Railroad Company  
Mt Hood Railway Company  
Austin & Northwestern Railroad Company, Inc  
118 South Clinton Street,  
Suite 400  
Chicago, IL 60661

Lender  
Federal Railroad Administration  
1200 New Jersey Ave, S E  
Washington, D C 20590

A description of the railroad equipment covered by the enclosed document is found in Exhibit A attached to the Memorandum of Security Agreement and includes locomotives, freight and passenger rolling stock, and miscellaneous railroad maintenance equipment

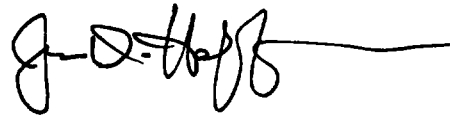
A short summary of the document to appear in the index is

"Memorandum of Security Agreement"

Also enclosed is a check in the amount of \$41 payable to the Surface Transportation Board to cover the required recordation fee

Please date stamp and return to me one copy of the enclosed document

Sincerely yours,

A handwritten signature in black ink, appearing to read "John D. Heffner", with a long horizontal line extending to the right.

John D. Heffner

Enclosure

cc Daniel Orlaskey, Esq (FRA)  
Gerald Haberkorn, Esq  
Mr. Edwin E. Ellis

AUG 31 '11 -5 0 0 PM

MEMORANDUM OF SECURITY AGREEMENT

SURFACE TRANSPORTATION BOARD

This Memorandum of Security agreement is made and entered into as of August \_\_, 2011, by and among PERMIAN BASIN RAILWAYS, INC., a corporation incorporated and existing under the laws of the State of Illinois (hereinafter the "Borrower"), and UNITED STATES OF AMERICA, represented by the ADMINISTRATOR of the FEDERAL RAILROAD ADMINISTRATION, (hereinafter referred to as the "Lender"), respecting that certain Security Agreement dated as of September 22, 2009 as amended by that certain Amendment No 1 To Security Agreement (hereinafter referred to as the "Security Agreement"), entered into between the Debtor and the Lender and consented to by CENTRAL CAR REPAIR, LLC, an Illinois limited liability company ("CCR"), ISLA LARGO, LLC, an Illinois limited liability company ("IL"), SAN LUIS & RIO GRANDE RAILROAD, INC., a Delaware corporation ("SLRG"), CHICAGO TERMINAL RAILROAD COMPANY, an Illinois corporation (CTR), HIGH IRON TRAVEL COMPANY, a Minnesota corporation ("HIT"), MT HOOD RAILWAY COMPANY, an Oregon corporation ("MHR"), WEST TEXAS & LUBBOCK RAILROAD COMPANY, INC., a Texas corporation ("WTLR") and AUSTIN & NORTHWESTERN RAILROAD COMPANY, INC., a Texas corporation ("ANR"), (CCR, IL, SLRG, CTR, HIT, MHR, WTLR, collectively referred to as, the "**Borrower Affiliates**" and IOWA PACIFIC HOLDINGS, LLC, an Illinois limited liability company ("**Parent**"))

On September 22, 2009, the Lender and Borrower entered into a financing agreement pursuant to which Borrower received a loan in the amount of \$64,400,000.00 pursuant to Title V of the Railroad Revitalization and Regulatory Reform Act of 1976, as amended, 45 U.S.C. § 821 *et seq* and the Borrower issued to the Lender a note (the "Note") representing the Indebtedness (the "Financing Agreement") (Capitalized terms not defined or explained in this Agreement have the same meanings as those terms are defined in the Financing Agreement); and

Borrower granted Lender a security interest on certain property as stated in a Security Agreement dated September 22, 2009 as amended by that certain Amendment No 1 To Security Agreement (the "Security Agreement"), and

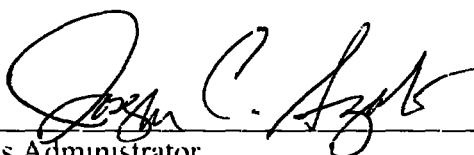
Borrower has agreed to grant the Lender, its successor and assigns, a security interest in certain railroad equipment bearing reporting marks and road numbers as listed on Exhibit A attached hereto in order to secured Debtor's performance of its obligations as described in the Security Agreement

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this Memorandum of Security Agreement to be fully executed in its corporate name by its officers, thereunto duly authorized, all as of the date first above written

**Borrower:**  
**PERMIAN BASIN RAILWAYS, INC.,**  
An Illinois Corporation

By \_\_\_\_\_  
Its President

**Lender:**  
**FEDERAL RAILROAD ADMINISTRATION**

By  \_\_\_\_\_  
Its Administrator

STATE OF District of Columbia )  
 )  
COUNTY OF Washington )

On this 31st of August, 2011, before me personally appeared Joseph L. Seabro, to me personally known, who being duly sworn, stated that he/she is Administrator of the FEDERAL RAILROAD ADMINISTRATION, that said instrument was signed on behalf of said entity by authority of its Administrator, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said entity

Marica Shaw  
Notary Public

My Commission Expires 6/14/2014

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this Memorandum of Security Agreement to be fully executed in its corporate name by its officers, thereunto duly authorized, all as of the date first above written

**Borrower:**

**PERMIAN BASIN RAILWAYS, INC.,**

An Illinois Corporation

By  \_\_\_\_\_

Its President

**Lender:**

**FEDERAL RAILROAD ADMINISTRATION**

By \_\_\_\_\_

Its Administrator

**ACKNOWLEDGEMENT OF BORROWER AFFILIATES**

The undersigned Borrower Affiliates acknowledge and consent to the Memorandum of Security Agreement

**CENTRAL CAR REPAIR, LLC**

an Illinois Limited Liability Company

By \_\_\_\_\_

Its President or Authorized Agent

**ISLA LARGO, LLC**

an Illinois Limited Liability Company

By \_\_\_\_\_

Its President or Authorized Agent

**IOWA PACIFIC HOLDINGS, LLC**

an Illinois Limited Liability Company

By \_\_\_\_\_

Its President or Authorized Agent

**SAN LUIS & RIO GRANDE RAILROAD, INC**

a Colorado corporation

By \_\_\_\_\_

Its President or Authorized Agent

**CHICAGO TERMINAL RAILROAD  
COMPANY, an Illinois corporation**

By \_\_\_\_\_

Its President or Authorized Agent

**HIGH IRON TRAVEL COMPANY,**

a Minnesota corporation

By \_\_\_\_\_

Its President or Authorized Agent

**MT. HOOD RAILWAY COMPANY,**

an Oregon corporation

By \_\_\_\_\_

Its President or Authorized Agent

**WEST TEXAS & LUBBOCK RAILROAD  
COMPANY, INC.,**

a Texas corporation

By \_\_\_\_\_

Its President

**AUSTIN & NORTHWESTERN RAILROAD  
COMPANY, INC.,**

a Texas corporation

By \_\_\_\_\_

Its President

STATE OF Washington DC )  
 )  
COUNTY OF \_\_\_\_\_ )

On this 30 of August 2011 before me personally appeared Edwin F Ellis to me personally known who being duly sworn stated that he/she is the **President or Authorized Agent** of **PERMIAN BASIN RAILWAYS, INC** an Illinois Corporation that said instrument was signed on behalf of said corporation by authority of its board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation

Yori M. Dan \_\_\_\_\_  
Notary Public

My Commission Expires 6-14-15

STATE OF Washington DC )  
 )  
COUNTY OF \_\_\_\_\_ )

On this 30 of August 2011 before me personally appeared Edwin F Ellis to me personally known who being duly sworn stated that he/she is the **President or Authorized Agent** of **CENTRAL CAR REPAIR, LLC** an Illinois Limited Liability Company that said instrument was signed on behalf of said corporation or company by authority of its manager and its manager's board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation or company

Yori M. Dan \_\_\_\_\_  
Notary Public

My Commission Expires 6-14-15

STATE OF Washington DC )  
 )  
COUNTY OF \_\_\_\_\_ )

On this 30 of August 2011 before me personally appeared Edwin F Ellis to me personally known who being duly sworn stated that he/she is the **President or Authorized Agent** of **ISLA LARGO, LLC** an Illinois Limited Liability Company that said instrument was signed on behalf of said corporation or company by authority of its manager and its manager's board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation or company

Yori M. Dan \_\_\_\_\_  
Notary Public

My Commission Expires 6-14-15



STATE OF Washington DC )  
 )  
COUNTY OF      )

On this 30 of August 2011 before me personally appeared **Edwin F. Ellis** to me personally known who being duly sworn stated that he/she is the **President or Authorized Agent** of **IOWA PACIFIC HOLDINGS, LLC**, an **Illinois Limited Liability Company** that said instrument was signed on behalf of said corporation or company by authority of its manager and its manager's board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation or company.

Edwin F. Ellis  
Notary Public

My Commission Expires 6-14-15

STATE OF Washington DC )  
 )  
COUNTY OF      )

On this 30 of August 2011 before me personally appeared **Edwin F. Ellis** to me personally known who being duly sworn stated that he/she is the **President or Authorized Agent** of **SAN LUIS & RIO GRANDE RAILROAD, INC.** a **Delaware corporation** that said instrument was signed on behalf of said corporation by authority of its board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Edwin F. Ellis  
Notary Public

My Commission Expires 6-14-15

STATE OF Washington DC )  
 )  
COUNTY OF      )

On this 30 of August 2011 before me personally appeared **Edwin F. Ellis** to me personally known who being duly sworn stated that he/she is the **President or Authorized Agent** of **CHICAGO TERMINAL RAILROAD COMPANY**, an **Illinois corporation** that said instrument was signed on behalf of said corporation by authority of its board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Edwin F. Ellis  
Notary Public

My Commission Expires 6-14-15

STATE OF Washington DC )  
 )  
COUNTY OF \_\_\_\_\_ )

On this 30 of August, 2011, before me personally appeared Edwin F. Ellis to me personally known who being duly sworn stated that he/she is the **President or Authorized Agent of HIGH IRON TRAVEL COMPANY**, a **Minnesota** corporation that said instrument was signed on behalf of said corporation by authority of its board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

John M. Jones  
Notary Public

My Commission Expires 6-1-15

STATE OF Washington DC )  
 )  
COUNTY OF \_\_\_\_\_ )

On this 31 of August, 2011, before me personally appeared Edwin F. Ellis to me personally known who being duly sworn stated that he/she is the **President or Authorized Agent of MT HOOD RAILWAY COMPANY**, an **Oregon** corporation that said instrument was signed on behalf of said corporation by authority of its board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

John M. Jones  
Notary Public

My Commission Expires 6-1-15

STATE OF Washington DC )  
 )  
COUNTY OF \_\_\_\_\_ )

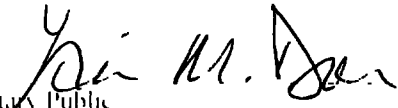
On this 30 of August, 2011, before me personally appeared Edwin F. Ellis to me personally known who being duly sworn stated that he/she is the **President or Authorized Agent of WEST TEXAS & LUBBOCK RAILROAD COMPANY, INC.**, a **Texas** corporation that said instrument was signed on behalf of said corporation by authority of its board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

John M. Jones  
Notary Public

My Commission Expires 6-1-15

STATE OF Washington )  
 )  
COUNTY OF \_\_\_\_\_ )

On this 30 of August 2011 before me personally appeared **Edwin E. Ellis** to me personally known who being duly sworn stated that he/she is the **President or Authorized Agent** of **AUSTIN & NORTHWESTERN RAILROAD COMPANY, INC.**, a **Texas** corporation that said instrument was signed on behalf of said corporation by authority of its board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

  
Notary Public

My Commission Expires 6-11-15

**EXHIBIT A**  
**TO MEMORANDUM OF SECURITY AGREEMENT**  
**List of Locomotives, Passenger Equipment and Freight Equipment**

**AMENDED SCHEDULE II TO THE SECURITY AGREEMENT  
PERMIAN BASIN RAILWAYS  
LOCOMOTIVE, ROLLING STOCK, AND EQUIPMENT COLLATERAL**

**SEE ATTACHED ISLA LARGO LLC  
FRA COLLATERAL – AUGUST 2011**

**Isla Largo, LLC**

**FRA Collateral - August 2011**

***Personal Property- Locomotives....***

<b>Item (RR/Serial No.)</b>	<b>Description</b>
2501	EMD GP-35
2502	EMD GP-35
2503	EMD GP-35
2170	EMD GP-20
18	BCSteam #56941
852	EMD GP-7
2	EMD GP-38
88	EMD GP-9
89	EMD GP-9
1100	EMD F-9
455	EMD F-40M
456	EMD F-40M
459	EMD F-40M
52	EMD BL-2
6070	EMD E-8

***Personal Property:  
Passenger Equipment..***

<b>Item (RR/Serial No.)</b>	<b>Description</b>
1040	Caboose
116	Caboose
2	Coach Passenger Car
2915	Coach Passenger Car (LIRR Coach)
2869	Coach Passenger Car (LIRR Coach)
2865	Coach Passenger Car (LIRR Coach)
2970	Coach Passenger Car (LIRR Coach)
2974	Coach Passenger Car
2968	Coach Passenger Car
2948	Coach Passenger Car
5062	Coach Passenger Car

**AMENDED SCHEDULE II TO THE SECURITY AGREEMENT  
PERMIAN BASIN RAILWAYS  
LOCOMOTIVE, ROLLING STOCK, AND EQUIPMENT COLLATERAL**

5066	Coach Passenger Car
1080	Coach Passenger Car "Timberline"
1056	Coach Passenger Car "Lookout Mountain"
1067	Coach Passenger Car Coach
1068	Coach Passenger Car Coach
1070	Coach Passenger Car "Katherine"
4	Dinner Car "Mt Adams"
3001	Commuter Passenger Car (C1 pair)
3002	Commuter Passenger Car (C1 pair)
3003	Commuter Passenger Car (C1 pair)
3004	Commuter Passenger Car (C1 pair)
3005	Commuter Passenger Car (C1 pair)
3006	Commuter Passenger Car (C1 pair)
3007	Commuter Passenger Car (C1 pair)
3008	Commuter Passenger Car (C1 pair)
3009	Commuter Passenger Car (C1 pair)
3010	Commuter Passenger Car (C1 pair)
1	Lounge Car "Hood River"
3	Kitchen Car "Wyeast"
509	Dome Passenger Car "Cascade View"
510	Dome Passenger Car "Sunset View"
511	Dome Passenger Car "Scenic View"
551	Dome Passenger Car "Sky View"
554	Dome Passenger Car "Summit View"
2	Dinner Car "Mt Hood"
3378	Lounge Passenger Car "Calumet Club"
1	Parlor Passenger Car
508	Dome Passenger Car "Canyon View"
512	Dome Passenger Car "Alpine View"
513	Dome Passenger Car "Columbia View"
1394	Dome Passenger Car "Prairie View"
2923	Passenger Car (former L1 Parlor)
2920	Passenger Car (former L1 Parlor)

***Personal Property: Freight  
Equipment***

<b>Item (RR/Serial No.)</b>	<b>Description</b>
2150	Covered Hopper Car
2152	Covered Hopper Car
2153	Covered Hopper Car
2155	Covered Hopper Car

**AMENDED SCHEDULE II TO THE SECURITY AGREEMENT  
PERMIAN BASIN RAILWAYS  
LOCOMOTIVE, ROLLING STOCK, AND EQUIPMENT COLLATERAL**

2156	Covered Hopper Car
2157	Covered Hopper Car
2158	Covered Hopper Car
2160	Covered Hopper Car
2161	Covered Hopper Car
2163	Covered Hopper Car
2174	Covered Hopper Car
2175	Covered Hopper Car
2177	Covered Hopper Car
2182	Covered Hopper Car
2195	Covered Hopper Car
2196	Covered Hopper Car
10414	Covered Hopper Car
10415	Covered Hopper Car
10418	Covered Hopper Car
10426	Covered Hopper Car
49636	Covered Hopper Car
49655	Covered Hopper Car
49690	Covered Hopper Car
49698	Covered Hopper Car
525007	Covered Hopper Car
525009	Covered Hopper Car
525010	Covered Hopper Car
525012	Covered Hopper Car
525013	Covered Hopper Car
5407	Flat Car
5327	Flat Car

***Personal Property: Miscellaneous Equipment....***

<b>Item (RR/Serial No.)</b>	<b>Description</b>
	Gradall
	Speed Swing 360
	Kershaw Ballast Regulator
	Le Roy Air Compressor
	BEB Regulator
	Bolt Machine
	Mark III Tamper
	Kershaw Ballast Regulator
	Cat Backhoe
	Case Backhoe
	Yale Forklift

**AMENDED SCHEDULE II TO THE SECURITY AGREEMENT  
PERMIAN BASIN RAILWAYS  
LOCOMOTIVE, ROLLING STOCK, AND EQUIPMENT COLLATERAL**

Misc Tools & Maintenance  
Equipment  
Office Furniture & Equipment  
Fairmont Motor Car (A-5)  
Fairmont Motor Car (MT-14)  
Trailer Car W/ Sprayers  
Electronic Mark I Tamper  
Jackson Tamper

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